

This record is a partial extract of the original cable. The full text of the original cable is not available.

C O N F I D E N T I A L SECTION 01 OF 02 KUWAIT 000540

SIPDIS

STATE FOR PM, NEA, NEA/ARPI, NEA/I

E.O. 12958: DECL: 02/07/2015

TAGS: [MOPS](#) [PREL](#) [EAD](#) [MARR](#) [PGOV](#) [KU](#) [IZ](#)

SUBJECT: ENERGY MINISTER SAYS OIF/AIK FUEL ISSUE IS IN MOD'S COURT

REF: A. 2004 KUWAIT 2873

[B](#). 2004 KUWAIT 2907

[C](#). 2004 STATE 183408

[D](#). 2004 KUWAIT 3578

[E](#). 2004 KUWAIT 3607

[F](#). 2004 KUWAIT 3658

[G](#). KUWAIT 539

Classified By: Ambassador Richard LeBaron for reasons 1.4 (a), (b) and (d)

[11](#). (C) Summary. Ambassador met on 7 February 2005 with Minister of Energy regarding a variety of issues, including on-going negotiations for fuel used by coalition forces in Operation Iraqi Freedom (OIF) and as assistance in kind (AIK) for Kuwait-specific activities under the Defense Cooperation Agreement. Minister said the bilateral relationship and regional security issues pushed for settlement soon regarding volume of and payment for the fuel. He noted that neither in his capacity as chairman of the Kuwait Petroleum Corporation nor as Minister of Energy was he authorized to negotiate any contract on other than a commercial basis. The Energy Minister said that the Ministry of Defense was responsible for covering the cost of AIK fuel and had the lead within the GOK in resolving volume and price issues for OIF fuel support as well. End Summary.

[12](#). (C) Ambassador met on 7 February 2005 with Minister of Energy H.E. Shaykh Ahmed al-Fahd al-Ahmed al-Sabah. This cable concerns Kuwait's provision of fuel for Operation Iraqi Freedom (OIF) and assistance in kind (AIK) under the Defense Cooperation Agreement (DCA) with the United States. OIF fuel is consumed in support of coalition military operations in Iraq; AIK fuel is provided under the DCA for Kuwait-specific operations.

[13](#). (C) Ambassador opened the discussion by noting USG appreciation for Kuwait's considerable and continuing support and USG interest in maintaining a steady supply of fuel for U.S. forces under both the OIF and AIK arrangements. The Minister said that the bilateral relationship and regional security issues pushed for settlement soon regarding volume and payment provisions. He noted that as Minister of Energy, he also serves as the chairman of Kuwait Petroleum Corporation (KPC) and that in that latter capacity he represents a commercial organization.

[14](#). (C) The Minister said he was surprised that his Ministry and KPC apparently were seen by some as having the lead in the ongoing discussion (see reftels) regarding the volume and price of fuel provided under the AIK and OIF arrangements. These matters, he said, "are not our duty; we will do whatever the Prime Minister asks, of course, but we need political guidance." He alluded to the recent visit to Kuwait by Principal Deputy Assistant Secretary of Defense Peter Flory for meetings with senior officials in the Ministry of Foreign Affairs (MFA) and Ministry of Defense (MOD) as well as Embassy discussions with KPC officials, noting that USG efforts should continue to concentrate on the MFA and particularly the MOD as the interlocutors regarding concessional fuel sales.

[15](#). (C) The Minister emphasized that Kuwait's constitution and law severely restrict his latitude in such matters. He said it is imperative that he have the "Parliament's blessing" for any activity involving energy resources, which are the patrimony of the people, not of a ruling family or corporation. He said he would "be in big trouble" if KPC continues to provide fuel to U.S. forces without a contract in place and payment received. The Minister explained that for the first year that KPC supplied the fuel without contract (and at zero cost to USG), his ministry was covered by a war appropriations bill. However, from April until December 2004, KPC had had no legal mandate to continue the fuel supply absent a contract and payment.

[16](#). (C) The Minister noted that the contract entered into in December 2004 between the Defense Energy Support Center (DESC) and KPC provided his ministry cover through 31 December 2004 but that negotiations continued over the volume and payment structure for the period 1 January through 31 March 2005. KPC was, he said, back in the same position it had occupied from April to December 2004: no contract; no

legal basis for the fuel deliveries. He reiterated that the fuel had continued to flow "only because of our interest in maintaining our relationship" with the United States. He complained that others were trying to shift the responsibility for resolving the remaining contractual obligations onto KPC rather than MFA and MOD.

17. (C) The Minister then suggested a means to move forward regarding provision of AIK and OIF fuel. USG officials should meet directly with MOD personnel to resolve how much fuel was destined for OIF use and how much for DCA AIK use; work with the GOK to settle on the OIF share and how it would be paid for internally by the GOK. He said the "correct scenario" would have MOD pay for the DCA fuel entirely and that the government would decide on an appropriate discount (separate from that KPC offered) for the OIF fuel and pay KPC the difference. The Minister cautioned and Ambassador seconded that the "concerned parties should work together closely" to avoid a disruption in the supply of OIF/AIK fuel.

18. (C) Ambassador noted that indeed KPC had taken the initial lead on negotiations and that only after the first round and during the PDASD Flory visit had USG received clear indication to move on to discussions with MOD. The Minister concurred that that had been the case. He noted that he personally had pushed for the \$10/barrel discount from the market price offered by KPC to DESC.

19. (C) Ambassador clarified that we were talking about two different fuel uses ) the approximately 880 thousand gallons/day agreed to for OIF use and the approximately 215 thousand gallons/day reserved for AIK fuel under the DCA. He continued that the full allotment of fuel had not been received under either understanding. The Minister suggested that "technical difficulties" in supplying the type of fuel accounted for some of the shortfall and returned to his complaint that others (than KPC or the Ministry of Energy) must resolve the issues of volume and price.

110. (C) Comment. The Energy Minister told us that he and KPC are not the negotiators and pointed to the Ministry of Defense as now in the lead. See Ref G for information gathered separately at a meeting with the Foreign Minister on Monday the 7th in which he also pointed to the Ministry of Defense as the lead. The Council of Ministers has not taken up the offer of "production costs" and the GOK is clearly indicating that the lead is now with MOD and its proposal. End Comment.

11. (U) Baghdad: Minimize considered.

\*\*\*\*\*  
Visit Embassy Kuwait's Classified Website:  
<http://www.state.sgov/p/nea/kuwait/>

You can also access this site through the  
State Department's Classified SIPRNET website  
\*\*\*\*\*  
LEBARON